

MINUTES
REGULAR WORKSESSION
CITY COUNCIL OF THE CITY OF YUMA, ARIZONA
CITY COUNCIL CHAMBERS - YUMA CITY HALL
ONE CITY PLAZA, YUMA, ARIZONA
August 6, 2019
6:00 p.m.

CALL TO ORDER

Mayor Nicholls called the Regular City Council Worksession to order at 6:05 p.m.

Councilmembers Present: Shelton, Watts, Thomas, Knight, McClendon and Mayor Nicholls
Councilmembers Absent: Miller
Staffmembers Present: City Administrator, John D. Simonton
Director of Public Works, Joel Olea
Public Works Manager, Joseph Lopez
Various department heads or their representatives
City Attorney, Richard W. Files
City Clerk, Lynda Bushong

I. RECYCLING PROGRAM UPDATE

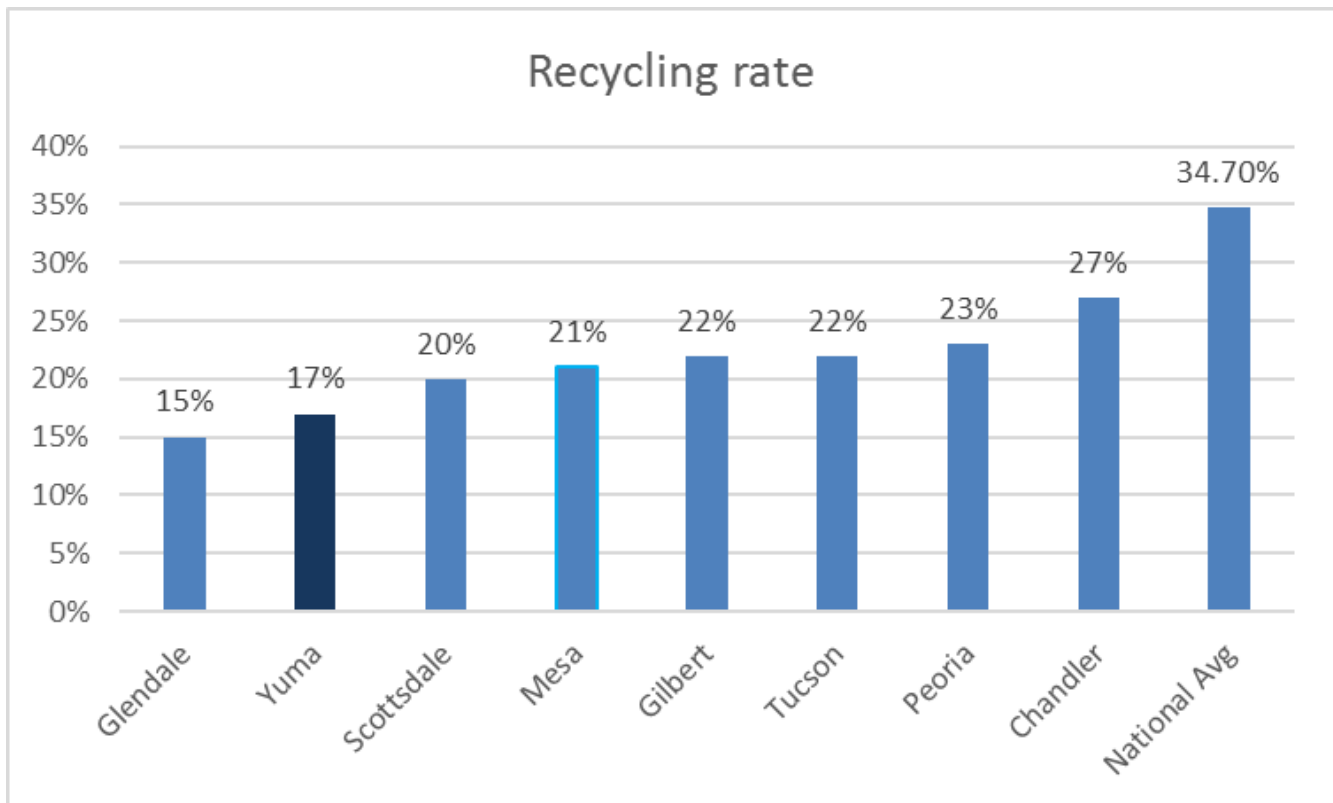
Olea introduced the City's Solid Waste Manager, Joe Lopez and Peter Sternberg, the General Manager of Republic Services. **Olea** stated he was here tonight to brief City Council on what has been happening with the recycling market and what impacts that it might have on the future.

Background

- Curbside recycling came about from a request to City Council from the Arizona Western College environmental class.
- Staff reviewed the possibility of curbside recycling and ultimately landed a successful contract.
 - As part of the contract the vendor provided the City of Yuma with 21,000 blue bin containers to start the program.
 - The vendor would receive 90% of the revenue share and the City of Yuma would receive 10%.
- Recycling was fully implemented in August 2013
 - The City was collecting the recyclables and taking them to the transfer station for the vendor to process and resale.

Recycling in 2018

- 32,496 tons collected at the curbside
- 5,650 tons diverted towards recycling
- 17% diversion from the residential trash
- \$8,496 revenues collected (The City of Yuma's 10% share)
- \$168,156 savings from landfill fees



Recycling in Arizona

- The City of Yuma is in the bottom half, but is a relatively young program with only five years of recycling.
 - The more established programs are averaging just above 22%
 - The majority of Arizona is falling short of the National average of 34.7%.

What is in our recyclables

- Fiber-paper products – 46% (i.e. newspaper, junk mail, magazines)
- Plastics-water bottles – 45%
 - Plastics are separated by its polymer and identified by a specific number from 1-7. The most common is your water bottle (1) as compared to your more dense/harder plastic (2) (i.e. milk jugs, detergent bottles)
- Other -9% (i.e. cans, glass, steel)
- These statistics are consistent year-after-year for the last five years for the City of Yuma.

Are we meeting our expectations

- Original estimates had the City saving at least \$144,000.00 with the bulk of the savings coming from not having to pay landfill fees.
- The contributions are minor and somewhat inconsistent and depends on the market.

What has changed/Market Change

Sternberg reported that he has seen a lot of changes in the market in the many years he has been in the recycling business. Recycling took off with demand from, and relatively low shipping costs to, China giving commodities decent pricing which helped to offset the cost to process the material and for disposal. For decades, China was the leading country for taking recycling worldwide and the United States made up about 40% of what China took in for recycling each year. In 2017 the recycling industry saw a big change in China's *National Sword* wherein China tightened its contamination standards. China went from an acceptable contamination rate of 3% to half of 1%. China also banned mixed paper. That ban led to finding alternative markets such as India, Vietnam and Malaysia which materials continue to be shipped to. However, supply and demand kicked in and with the flood of material going into these countries prices have dropped significantly. Examples include: old corrugated containers from \$163 per ton to \$20 per ton; mixed paper \$64 per ton to \$5 per ton and down to \$2 per ton this month. Demand for cleaner material adds additional labor costs for processing. Paper is also dropping significantly and water bottles are becoming much thinner and lighter. A bale of water bottles used to take 48,000 bottles and now takes 92,000 bottles. The type of plastic has also changed which complicates processing and is considered contamination because it is not compatible with polyethylene terephthalate (PET) standards. When looking at recycling programs the new reality of recycling is that there is a cost to it. However, from an environmental standpoint there is still a benefit to recycling. The question is what do with the programs.

Discussion

- Companies in the United States who once couldn't compete with China may now get another opportunity depending on the commodity. (**Knight/Sternberg**)
- Recycling is about the materials eventually going to a market to be reused. Yuma currently is not reusing materials for a profit. (**Shelton/Sternberg**)
- Not all recycled product are going down in price as dramatically as mixed paper. Aluminum is still \$100 per ton. (**Thomas/Sternberg**)
- It is unknown if the proposed trade agreement between the United States, Mexico and Canada (USMCA) will help or hurt the recycling industry in North America. (**Mayor Nicholls/Sternberg**)

Continuing the presentation, **Olea** provided the following information:

Around the State

- Casa Grande suspended their recycling program effective July 1, 2019.
 - They are willing to bring the program back in a favorable market.
- The City of Tucson has cut their pick-up times from once a week to twice a month.
- Flagstaff is only accepting plastics that fall into category numbers 1 & 2.
- Phoenix, due to volume and the knowledge that they could not sell off their numbers 3-7 products, has gone to an alternative solution by turning those plastics into diesel fuel.

Future Recycling Business Model

- Current
 - Processing fee for recovered materials
 - No disposal fee for residue materials
 - Revenue sharing

- Future
 - Processing fee for all material
 - Upfront
 - A disposal fee for residue materials
 - Example: Broken glass
 - Revenue sharing
 - Will be more flexible – a model that can adjust to the market change.

Summary

- The recycling program has met the expectations for the life of the contract since 2013.
- We are in a downturn of the market.
- A Request for Proposal will go out in January so that a new contract can be in place by May of 2020.

Further Discussion

- It is unknown where the market will be when we go out for a Request for Proposal in 2020. (**Mayor Nicholls/Olea**)
- Roughly 40% of the current recycling that Yuma collects is residual or contaminated product. (**Watts/Olea**)
- It is anticipated that options will be brought to City Council for a new recycling contract in 2020. (**Watts/Olea**)
- A local processing facility would be more favorable to our community; however, the cost is in not only the processing, but also the transporting. (**Thomas/Olea**)
- City trash collection is an enterprise fund. As costs go up it has to pay for itself so if there is an increase in costs that may affect what the actual service fee is, which is something we are looking to avoid. (**Mayor Nicholls/Olea**)

II. REGULAR CITY COUNCIL MEETING AGENDA OF AUGUST 7, 2019.

Mayor Nicholls stated he would be declaring a potential conflict of interest on Motion Consent Agenda item B.4.

Motion Consent Agenda Item B.4 - Guarantor Letter: Greater Yuma Port Authority (GYPA) Refinance (authorize the City Administrator to provide a guarantor letter confirming City of Yuma will act as Guarantor, on a pro-rata share basis, along with the City of San Luis, Yuma County and the Cocopah Tribal Nation, for the Greater Yuma Port Authority land refinance loan.) (Admin/Economic Dev)

Mayor Nicholls turned the meeting over to Deputy Mayor Knight for discussion.

Discussion

- The refinance through 1st Bank Yuma will not only reduce the monthly payment, but will allow payment of both interest and principal instead of interest payments only as were being previously made. (**Deputy Mayor Knight/Thomas**)
- The property that GYPA owns in the Industrial Park is worth more than the amount of the loan, which eliminates the risk. (**Deputy Mayor Knight/Thomas**)

- The Guarantor Letter is a requirement of the bank in order to get the loan. (**Deputy Mayor Knight/Thomas**)
- The loan is a 20-year loan. (**Deputy Mayor Knight/Thomas**)

Mayor Nicholls returned to the dais.

III. EXECUTIVE SESSION

Motion (Thomas/Knight): To adjourn the meeting to Executive Session. Voice vote: **adopted** 6-0. The meeting adjourned at 6:39 p.m.

Lynda L. Bushong, City Clerk

APPROVED:

Douglas J. Nicholls, Mayor